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SUBMISSION OF THE GOVERNMENT OF
THE PROVINCE OF NEW BRUNSWICK TO THE
ROYAL COMMISSION ON COAL

BY:- HON. HUGH JOHN FLEMMING
Fredericton, N. B.
March 2, 1960.

Mr. Commissioner:-

I must first, Sir, officially welcome you to your native province on behalf of the government and people of New Brunswick. Over the years, as the proportionate contribution of the Maritime Provinces in terms of goods and services to Canada has declined, our proportionate contribution in terms of the things of the mind and the human spirit has increased. In this latter sphere -- as a lawyer, a distinguished judge, and as a philosopher of the law -- you have made a great contribution to Canadian life. You rank as one of our illustrious sons.

We, in New Brunswick, were most pleased when you were selected by the Government of Canada to conduct an enquiry into the problems of the Canadian coal mining industry. The coal industry of the Maritime Provinces face a complex of problems, at the present time, and it is reassuring to know that these problems are being studied by one who grew to maturity in these provinces and has an intimate knowledge of our economic circumstances.

In April, 1958, aware of the problems facing the provincial coal mining industry, the Government of New Brunswick appointed a Royal Commission to assess these problems and to make recommendations as to how they might be solved. This Commission has now

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Now, in New Brunswick, where most of us were educated

by the Government of Canada, we conduct an enquiry into the pro-

blems of the Canadian coal mining industry. The coal industry

of the province presents a complex of problems, at the

present time, and it is interesting to know that these problems

are being studied by you and your fellow members of the Commission.

As you are familiar with our economic circumstances,

in 1955, when the province was feeling the provincial

coal mining industry, the Government of New Brunswick appointed

a Royal Commission to study these problems and to make recommend-

ations as to how they might be solved. This Commission has now

submitted its report and I am pleased to lay copies of it before you. My remarks, this morning, will, of course, draw heavily from the report of this New Brunswick Royal Commission.

General

Coal has been mined in New Brunswick for more than three centuries. In the entry to his Diary of September 8, 1667, Samuel Pepys indicates a knowledge of the Grand Lake coal area when he refers to:- "Nova Scotia, which hath a river 300 miles up the country, with copper mines more than Swedeland, and Newcastle coals, the only place in America that hath coals that we know of." Thus the New Brunswick coal mining industry can claim to be the oldest in North America.

Despite these early beginnings, the coal industry in New Brunswick was to be of little importance for another two centuries. By 1887, the industry had gained sufficient importance for production figures to be included in the yearly statistical reports of the federal government. In that year, output was 10,040 tons. By 1905, it had increased to 29,400 tons and production continued to increase until the years immediately after World War I.

In 1922, after the short post-war recession was over, output totalled 287,513 tons, a figure which was not surpassed until more than a decade later in 1933. During the early thirties, to assist the industry in the face of the Great Depression, the Provincial Government, through its agency the New Brunswick Electric Power Commission, decided to erect a thermal power plant

at Newcastle Wharf on Grand Lake. Since that time, the Power Commission has expanded its generating capacity at Grand Lake and it has become a major purchaser of New Brunswick coal. At the present time, its installed capacity at this site is 48,500 k.w.

In the early years of World War II, production increased and, in 1941, was 532,449 tons. After 1941, output declined and in 1945 was only 349,461 tons. There were many reasons for this decline in production. The war brought about a movement of labour from the coal industry, particularly from shaft operations, to the armed forces and to industries engaged directly in war production. As a consequence, coal producers were forced to convert to strip mining on a considerable scale. In addition to the difficulty of obtaining labour, New Brunswick mine operators were adversely affected by wartime control measures. Coal prices were frozen but wages and other costs continued to rise. Operators also continued to face discriminatory freight rates and increased competition in local markets from Nova Scotia coal. As a result of this situation, the later years of the war saw the level of output of the industry little changed from the nineteen-thirties.

Since the end of World War II, the New Brunswick coal mining industry has been marked by two predominant developments:- output has risen sharply and strip mining has become the predominant method of extraction. In 1945, the total output of the field was 347,601 tons. In 1959, output attained the record level of 993,801 tons. By 1947, roughly half of output was produced by shaft mining and half by strip

at Newcastle Water of Grand Lake, since that time, the power and
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it has become a major contributor of New Brunswick coal. At
the present time, the installed capacity at this site is 1,500 MW.
In the early years of development, the production increased
and in 1961 was 535,000 tons after 1951, output declined
to 1952 was only 385,000 tons. There have been many reasons for
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Since the end of World War II, the New Brunswick coal
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developmental - output has risen sharply and steadily since
became the predominant method of extraction. In 1950, the
total output of the field was 1,500,000 tons. In 1955, output
attained the record level of 2,000,000 tons. By 1961, output
fell as output was reduced to about 1,500,000 tons and fell in 1962.

mining. In recent years, over eighty percent of the total output resulted from strip mining and less than twenty percent from shaft mining.

Strip mining entails the use of larger draglines and relatively small amounts of labour, and thus production per man-day is much higher than in shaft mining. In 1959, although 572 men were employed in stripping and 460 in shaft mining, the ratio of strip production to shaft production was 4.5 to 1. Output per man-day in stripping was 5.4 tons and 1.8 in underground production.

Coal Reserves

A detailed survey conducted by the staff of the provincial Department of Lands and Mines at the request of the Commission, computed recoverable coal reserves in the Minto area at approximately 42 million tons. This figure was compiled primarily from information obtained from the test-holes of coal companies. Assuming that coal deposits to a depth of eighty feet can be extracted economically by strip-mining, reserves can be divided into 24.5 million tons which can be recovered by stripping, and 17.5 million tons which can be obtained by shaft mining. Possible additional reserves are estimated at 20 million tons.

The Commission has recommended that an effort be made to keep the output of the field between 850,000 and 1,100,000 tons a year. Output below 850,000 tons would create a serious amount of unemployment, and appreciably above 1,100,000 tons would result in coal deposits being depleted at too rapid a rate.

1891

Production Problems and Mining Methods

At the present time, the Commission reports that the costs of shaft-mined coal in the Minto area are relatively high and the margin of profit is small. In general, they state that costs of strip-mined coal are substantially lower. As it becomes necessary to utilize still larger draglines and to remove greater quantities of overburden to recover deeper coal, the costs of strip mining will also increase.

In the years immediately ahead, the Commission reports that New Brunswick coal will be meeting intensified competition from other fuels, primarily residual oil. Thus it is essential to increase productivity per man in shaft operations if important markets are to be retained. Representatives of Local 7409, the United Mine Workers of America, and Mr. Victor McMann, a coal producer, requested the Commission to examine the possibilities of mechanized shaft mining.

At times in the past, mechanized underground mining had been tried in the Minto area but it has proved generally to be unsatisfactory. The seam is thin -- averaging only 18 inches -- and the support of the roof after the seam has been cut has presented problems. In recent years, the room-and-pillar method of shaft-mining has been the only method of underground mining in use in the Minto area. By this method, coal is extracted basically by handpick and explosives.

In 1957, a New Brunswick delegation visited West Germany to examine methods of thin seam mining. Members of this delegation reported to the Commission that conditions in some mines in the Ruhr Valley were very similar to those in the Minto area and they suggested that a German mining engineer be brought to New Brunswick to advise on the possibilities of underground mechanization.

The Commission obtained the services of a German coal mining engineer who had impressed the New Brunswick delegation with his knowledge of thin seam mining when they met him in Germany. This engineer spent two months in Minto last summer and prepared for the Commission a comprehensive report on the possibilities of underground mechanization. He reported that four of the five shafts then operating in the Minto area could be mechanized so as to increase substantially output per man shift.

This report is published in full as an Appendix to the report of the Royal Commission and is discussed in detail in Chapter III. In September, 1959, Mr. W. P. Dryer, the thermal power consultant of the New Brunswick Electric Power Commission and an engineer with considerable experience in coal mining, studied the report for the Commission and visited thin-seam mining operations in the Ruhr Valley in West Germany. Mr. Dryer furnished the Commission with a most favourable report and this is also published as an Appendix to the Commission's submission.

The Commission states that they have given the matter of underground mechanization intensive study, have discussed it with a great variety of people with a knowledge of coal mining in the Minto area, and have formed the opinion that it has an excellent chance of opening new possibilities for the New Brunswick coal mining industry. As a consequence, their principal recommendation to the provincial government was:- "That New Brunswick Government co-operate with the New Brunswick Coal Producers' Association, Local 7409, of the United Mine Workers of America and the New Brunswick Electric Power Commission in conducting a trial mechanization operation."

I am pleased to inform you, Sir, that this recommendation has been accepted by the Government of New Brunswick and a trial mechanization program is being carried out under the sponsorship of the newly-formed New Brunswick Development Corporation. A longwall face will be developed in one of the shaft mines and two basic types of coal cutting equipment will be given a thorough trial. We are most hopeful that mechanization of shaft mines will solve a whole series of problems:- that working conditions for our miners will be very greatly improved, that new markets will be opened for New Brunswick coal, and income and employment in the Minto area will be more stable than they have been in the past.

If underground mechanization proves to be economically sound, we are hopeful that it will be instituted, generally, in the Minto area. Thus some of our producers will doubtless be seeking loans under the provisions of the Maritime Coal Production Assistance Act. This legislation has been most helpful in the past and it certainly fills a basic need of the Maritime coal industry. We commend to you the principle of federal financial assistance to coal producers so that mining methods in these provinces may be kept efficient and up-to-date.

Future Market Trends

Throughout practically the whole of the Western World, coal is meeting intensified competition from oil. As is well known, this is due basically to two factors:- the discovery of new sources of crude oil and economies in the cost per barrel of moving oil by tankers. As a result, coal markets in areas adjacent to coastal waters are becoming increasingly vulnerable. In Great Britain, the National Coal Board is holding an enormous stockpile of coal and is cutting back production. In West Germany, the loss of coal markets to oil is bringing substantial reductions in employment in the coal industry. In Nova Scotia, the problem of markets becomes increasingly serious.

In New Brunswick and the Maritimes generally, the competition of coal versus oil will be sharpened by the coming into production of a new 40,000 barrel-a-day oil

refinery at Saint John. This, the Commission suggests in its report, is the general background which must be taken into consideration in attempting to assess future trends in the demand for New Brunswick coal.

Historically, the New Brunswick coal mining industry developed to meet the needs of the provincial economy and 85 to 90 percent of the total output has normally been sold within the Province's boundaries. The major consumers are the pulp and paper companies in Northern New Brunswick and the New Brunswick Electric Power Commission. In recent years, substantial tonnages have been exported to one pulp mill in Maine and also to pulp mills in North Eastern Quebec. Thus, a large proportion of New Brunswick coal is sold to a few larger purchasers and the loss of even one or two of these markets would have serious repercussions on the entire industry. Several, of these large purchasers, located in areas where residual oil can be brought in by tanker, indicated to the New Brunswick Royal Commission that they could make substantial savings by converting from coal to oil.

In its report, the Commission states that the next two years could well be a critical period for the coal industry. Coal will be meeting intensified competition from oil, and it is hoped, shaft mines will be converting to mechanization. After that time, the situation may well change for the better and the demand for coal strengthen. This should certainly be the case if some of the high productivity figures stated in the report of the Commission's

technical consultant are achieved. This whole subject is dealt with in detail in Chapter IV of the Royal Commission's Report and I am only attempting to sketch in the broad outline.

Special Interim Subvention

If the trial mechanization proves successful, it is estimated that it would take approximately two years for mechanization to become general in the Minto area. During this transition period, if there is danger of coal markets being lost, the Commission recommends that the Federal Government should be asked to grant an interim subvention on shaft-mined coal.

The New Brunswick Government believes that this recommendation is sound and presents it to you for your consideration. Once markets are lost they usually are very difficult to regain and an interim subvention could preserve markets while our industry is going through an important phase of adjustment. The terms of this subvention would have to depend on the particular situation that arose. But, I believe that the principle of a special subvention adequate to meet the needs of a temporary situation is worthy of your most careful study.

Subvention Policy and the New Brunswick Coal Mining Industry

Until recently, federal subventions have been of only minor significance to the New Brunswick coal mining industry. Prior to 1957, the largest movement of New Brunswick coal occurred in the fiscal year 1940-1941 when 59,353 tons of coal received a subvention of \$42,634. In the post-war years

1. The first part of the document is a list of names and dates, which appears to be a record of some kind. The names are written in a cursive script, and the dates are in a more formal, printed style. The list is organized into two columns, with names on the left and dates on the right.

from 1945 to 1953, the largest annual shipment under subvention was 3,153 tons. Shipments increased, however, in the next four years and in 1957 -1958 and 1958 - 1959 achieved record levels. In 1957-1958, 73,095 tons of New Brunswick coal received subventions of \$120,665 and, in 1958-1959, 100,532 tons received subventions of \$161,768. Estimates for the fiscal year 1959-1960, indicate that in excess of 150,000 tons of New Brunswick coal will receive subventions of approximately \$290,000. This will be the largest annual volume of New Brunswick coal ever moved under subventions.

The increased sales to Central Canada, in recent years, are due primarily to two factors:- (1) aggressive selling by producers, (2) favourable subvention rates. The bulk of the increased sales have been in the areas in Quebec where subvention rates accurately reflect the difference in cost between New Brunswick coal and imported coal.

I should now like to refer to this second factor. Since Federal coal subventions were first adopted in 1928, the basic aim has remained unchanged: to make Canadian coal competitive with American coal in markets in Central Canada. Up until 1959, no attempt was made to establish a subvention rate which reflected the particular qualities of New Brunswick coal. Last year, however, when the regulations governing New Brunswick subventions were changed to bring them into closer conformity with the Nova Scotia

regulations of 1958, this fact was recognized.

New Brunswick coal moving to certain districts in North Eastern Quebec receives a subvention of forty-five per cent of the freight rate. Nova Scotia coal moving to the same areas receives thirty-five per cent. The ten per cent differential reflects the generally lower quality of New Brunswick coal. It is certainly in keeping with the established principle of the subventions:- to make Canadian coal competitive with American coal in Central Canadian markets.

As has been indicated, in the years immediately ahead, New Brunswick coal will be meeting intensified competition for markets within the province. Thus it is essential that the regulations governing shipments of New Brunswick coal to Central Canada be as favourable as possible. The principle established in 1959 as regards New Brunswick coal, must be recognized in all future changes in subvention regulations.

The Need for Industrial Diversification

The New Brunswick Royal Commission estimates that approximately 6,000 people in New Brunswick are dependent on the coal industry for a livelihood. Most of these people reside in the Minto-Chipman area, where it is by far the most important employer of labour. Indeed, the Commission reports that this area is too dependent on one industry and that an attempt must be made to bring in new industries. They point out that a program of federal fiscal incentives would be of great assistance to areas like Minto in the

Maritime Provinces, where economic activity is, for all practical purposes, based on one industry. When a worker becomes unemployed, due to the lack of industrial diversification, he has little chance of obtaining alternative employment.

Speaking of the Maritime Coal Industry, in general, by which I mean the Nova Scotia coal industry as well as our own:- I do not believe that one can profitably study its problems except in relation to the Maritime economy considered as a whole. New policies are needed to stimulate the rate of economic growth in these provinces so as to open up new industrial markets for coal and to provide alternative employment for workers who may be displaced by technological changes or by one of the periodic declines in the demand for coal.

In both New Brunswick and Nova Scotia, in recent years, new provincial government agencies have been created to assist in bringing new industries into these provinces. Progress has been made but what is needed is a new policy which will be especially attractive to businesses and which will accelerate substantial growth in a short space of time. In this regard, the Government of New Brunswick has advocated the institution of special incentives by the federal government in regard to the taxation of corporate incomes. This has been done in Canada in the past and is being done in other countries at the present time. For example, during the years of adjustment after World War II, the Government of Canada used accelerated depreciation to

promote industrial development which it considered to be desirable.

In Great Britain, investment allowances, which have enabled firms to write off up to 140 per cent of the cost of certain types of capital assets, have been used to stimulate capital investment considered to be in the national interest. At the present session of the British parliament, the Local Employment Act has provided the British Government with a whole range of incentives by which new industries can be channelled into areas where economic growth is retarded and the level of unemployment is high. Practically every government in Europe has enacted similar legislation to deal with problems of local and regional unemployment. In the United States, the Area Redevelopment Bill has been before Congress for a number of years and has been held up, not by matters of principle, but by matters of detail. Thus, special legislation to assist areas and regions in Canada where economic growth is retarded would be nothing novel, precedents can be found in most of the countries of the Western World.

I hope, Sir, you do not think that I have been digressing from the problems of the coal industry. I do not feel that I have. New policies to accelerate the general level of economic growth in the Atlantic Region I believe, are basic to any permanent settlement of the problems of the Maritime coal industry.

Conclusion

In conclusion, Mr. Commissioner, I should like to point out that while coal mining is, perhaps, marginal to the economies of other parts of Canada, it is central to the economy of the Maritime Provinces. Indeed, looking back to 1867, it played a large part in our entry to Confederation. In this regard, I should like to quote from the study:- "British North America at Confederation", prepared for the Rowell-Sirois Commission by Professor Donald G. Creighton of Toronto University:-

"It was not upon protection, but upon geographical position, natural resources and widened markets that the manufacturing interests of the different provinces based their hopes. In the Maritimes these hopes were particularly high. What Tupper called the "geographical advantages" and "geological attributes" of Nova Scotia appeared to imply that in the new federation it would play a role comparable to that of Great Britain in world trade, or to that of the New England States in the American Union. "In fact," said Tupper in the debates of 1867, "the possession of coal mines together with other natural advantage, must, in the course of time, make Nova Scotia the great emporium for manufactures in British America." It was in British industry that Nova Scotians usually discovered the presage of their own success; it was in the United States that New Brunswickers found a forecast of their future industrial

development. The manufacturers and mechanics of Saint John believed that they would manufacture for the "granary" of Canada just as New England manufactured for the wheat-producing western states; and Tilley found in Pittsburgh a forecast of the industrial future of Saint John. "It is folly to say," declared the Saint John Morning News, "that Canada can ever compete with New Brunswick as a manufacturing country."

It seems evident that the Fathers of Confederation envisaged a national economy in which the coal production of the Maritime Provinces would have a preferred status and be looked upon as the primary source of supply in the Canadian Confederation. Unfortunately, the Maritime coal mining industry has not played the role in economic development that the Fathers of Confederation hoped it would. But its problems are still of the greatest significance to this part of Canada. Indeed, I believe that a satisfactory solution to this problem will involve broad measures to encourage a much more rapid rate of economic growth for the Maritime economy as a whole. Economic growth and diversification will both provide the new markets which the industry so badly needs and also give it that flexibility which is essential if an industry is to be responsive to economic and technological change.

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